

Empowered by Innovation

**NEC**



# **FY2012/3 Second Quarter Business Results Presentation**

**October 26, 2011  
NEC Fielding, Ltd.**

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1. Summary of Consolidated Business Results

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2. Forecasts for the Fiscal Year Ending March 31, 2012

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# Major Management Indicators <Consolidated Business Results>

\*Any fraction of a hundred million yen has been rounded off to the nearest hundred million yen.

Units: Billion yen

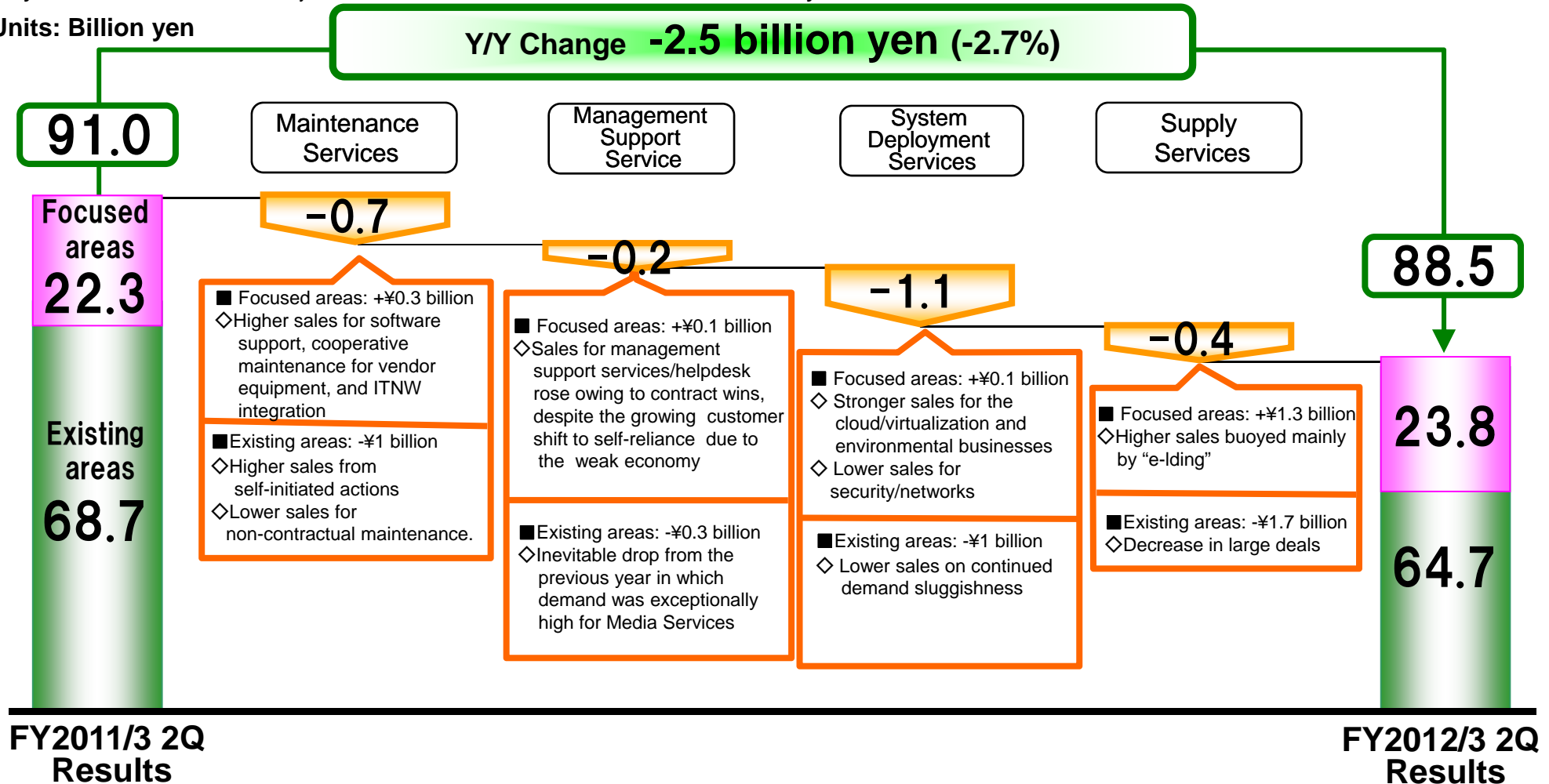
	FY2012/3 2Q Results		Compared to FY2011/3 2Q		± from forecast
	Apr. - Sept.	% of Sales	Change	Growth Rate	
<b>Net Sales</b>	<b>88.5</b>	<b>---</b>	<b>-2.5</b>	<b>-2.7%</b>	<b>-4.3</b>
<b>Proactive Maintenance (Maintenance Services)</b>	<b>46.9</b>	<b>53.0%</b>	<b>-0.7</b>	<b>-1.6%</b>	<b>---</b>
<b>Fielding Solutions</b>	<b>41.6</b>	<b>47.0%</b>	<b>-1.7</b>	<b>-4.0%</b>	<b>---</b>
System Deployment Services	12.9	14.5%	-1.1	-7.9%	---
Supply Services	19.2	21.8%	-0.4	-2.1%	---
Management Support Service	9.5	10.7%	-0.2	-2.3%	---
<b>Operating Income</b>	<b>3.6</b>	<b>4.1%</b>	<b>+0.2</b>	<b>+4.4%</b>	<b>+0.0</b>
<b>Ordinary Income</b>	<b>3.8</b>	<b>4.3%</b>	<b>+0.1</b>	<b>+3.9%</b>	<b>+0.0</b>
<b>Net Income</b>	<b>2.2</b>	<b>2.5%</b>	<b>+0.2</b>	<b>+8.6%</b>	<b>+0.0</b>
<b>Dividend per share (yen)</b>	<b>41.01</b>	<b>---</b>	<b>+3.25</b>	<b>+8.6%</b>	
<b>Free Cash Flow</b>	<b>+2.4</b>	<b>---</b>	<b>-1.3</b>	<b>---</b>	

# Sales Fluctuation Factors (Compared to FY2011/3 2Q)

Higher sales were recorded in focused areas, but lackluster demand recovery in existing areas combined with a decrease in large deals led to lower overall sales.

\*Any fraction of a hundred million yen has been rounded off to the nearest hundred million yen.

Units: Billion yen

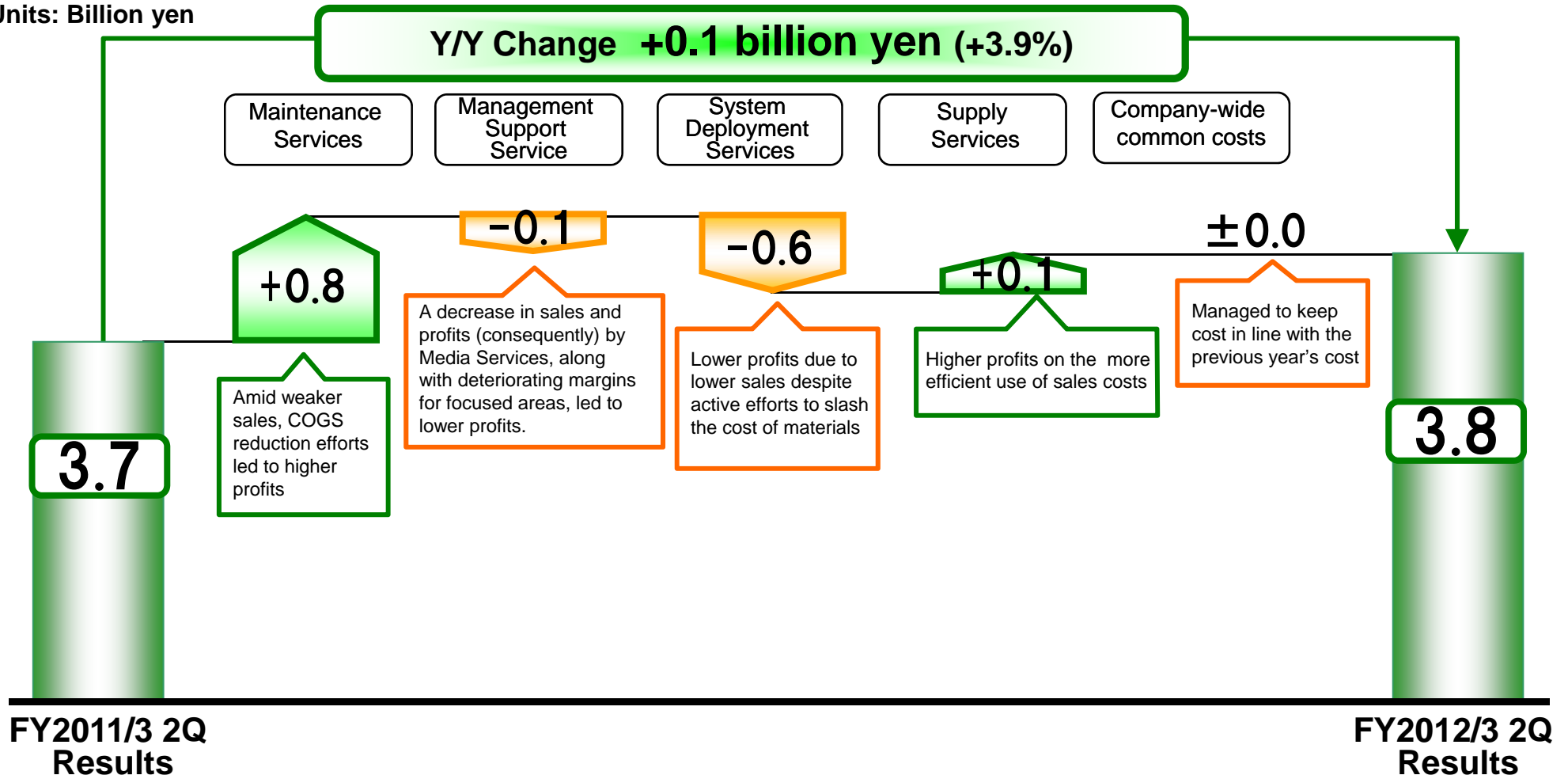


# Ordinary Income Fluctuation Factors (Compared to FY2011/3 2Q)

- Despite lower sales, higher profits were recorded attributable to improved profit margins as a result of COGS reduction activities.
- Targets for all income figures (operating income, ordinary income, and net income) were successfully met.

\*Any fraction of a hundred million yen has been rounded off to the nearest hundred million yen.

Units: Billion yen



# Strategic Investment

- Invested ¥700 million for the expansion of the business scope and for disaster planning

Expansion of business scope: ¥500 million

Reinforcement of:

- LCM business
- Cloud/environmental business
- Global business

Cost structure re-invention: ¥100 million

- Business process and IT reform

Reform of the managerial foundation: ¥100 million

- Training for human “assets” and undertakings for higher CS
- Disaster planning etc.

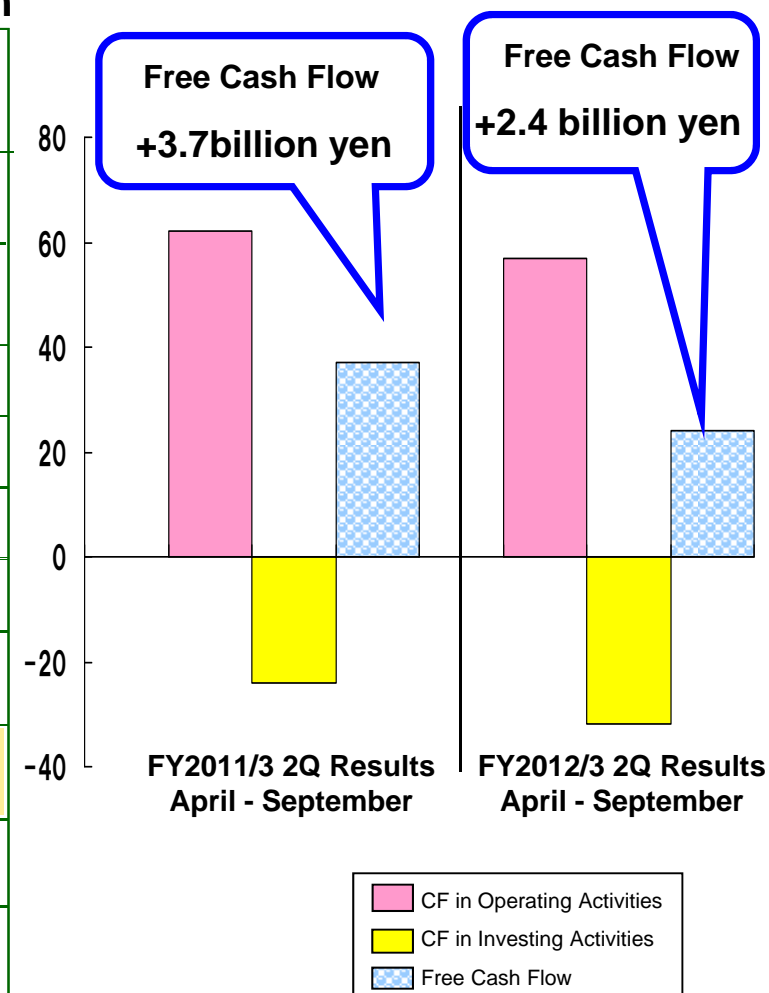
# Cash Flow (Compared to FY2011/3 2Q)

● Free Cash Flow: +2.4 billion yen (Y/Y Change -1.3 billion yen)

Any fraction of a hundred million yen has been rounded off to the nearest hundred million yen.

Units: Billion yen

	FY2012/3 2Q Results Apr. - Sept.	Y/Y Change
Cash and cash equivalents at the end of March 2011	<b>26.6</b>	<b>+2.4</b>
CF in Operating Activities	<b>5.7</b>	<b>-0.5</b>
Profit before tax	<b>3.8</b>	<b>+0.2</b>
Corporate tax	<b>-2.2</b>	<b>-0.2</b>
Operating funds, etc.	<b>2.7</b>	<b>+1.2</b>
Others	<b>1.4</b>	<b>-1.7</b>
CF in Investing Activities	<b>-3.2</b>	<b>-0.8</b>
<b>Sub-total: Free cash flow</b>	<b>+2.4</b>	<b>-1.3</b>
CF in Financing Activities	<b>-1.3</b>	<b>-0.0</b>
Cash and cash equivalents at the end of September 2011	<b>27.7</b>	<b>+1.0</b>



# Balance Sheet (Compared to FY2011/3 2Q)

- Steady improvement of capital ratio (Y/Y Change +1.4pt)
- The current ratio was kept at over 200% (Y/Y Change +2.6pt)

Any fraction of hundred million yen has been rounded off to the nearest hundred million yen.

Units: Billion yen

FY2011/3 As of Sept. 30 → FY2012/3 As of Sept. 30

Assets

130.8  
→ **132.3**

Y/Y  
Change  
+1.5  
billion  
yen

Liabilities

57.2  
→ **56.0**  
Y/Y Change -1.2 billion yen

Net Assets

73.6  
→ **76.3**  
Y/Y Change +2.7 billion yen

- Trade notes and accounts payable: -8.0 billion yen
- Advances received: -0.3 billion yen

↘ **Capital Ratio**

**57.6%**  
(Y/Y Change: +1.4pt)

↘ **Liquidity Ratio**

**247.1%**  
(Y/Y Change: +2.6 pt)

[Key factors behind the change]

- Cash & Cash Equivalents: +1.0 billion yen
- Notes and accounts receivable: -1.2 billion yen
- Intangible Fixed Assets: +2.4 billion yen
- Inventories: -1.0 billion yen

- [Key factors behind the change]
- Retained Earnings: +2.7 billion yen

# Business Highlights

## Actions geared to growth

### ■ Focused actions for LCM/Cloud

- Release of the Office 365 Solution Pack (August)
  - This solution for Microsoft Office 365 users features comprehensive coverage, from set-up to management, combined with support desk services providing operating instructions and troubleshooting assistance.
- More members to professional teams dedicated to exploring new deals and delivering better response capabilities
  - More platforms SEs \*Target: 550 by March 2013 (end of the ongoing Medium-term Management Plan)
    - Trained 41 new members (as planned) in the quarter, in an effort to expand the LCM business by leveraging the Company's on-site support strength (a total of 356 on the roster to date) (Target: 135 new members in the current fiscal year, with cumulative members to reach 450 before March 2012)
  - More professionals for design/development with strong cloud-oriented expertise \*Target: 550 by March 2013 (end of the ongoing Medium-term Management Plan)
    - Trained 104 new members (as planned) in the quarter to enable the delivery of virtualization solutions suited to customer need (a total of 254 to the roster to date) (Target: 200 new members in the current fiscal year with cumulative members to reach 350 by March 2012)
- Enhancement of infrastructure to better address demand for cloud computing
  - Construction start for the NEC Hokkaido Data Center \*Scheduled service launch: April 2012
    - The decision was made to build this center to reinforce the cloud service environment for the Hokkaido area.
    - This will consist of a cutting-edge data center boasting rugged construction to withstand massive disasters in addition to tight security.

### ■ Drive to expand Supply Services

- More dedicated marketing staff for sales expansion
  - Eight additional people were transferred to the marketing team (a total of 19 to date) dedicated to the expanded marketing of supply services especially for the “e-lding” Internet shop.

# Business Highlights

## Actions geared to growth

### ■ Stronger momentums for the “Environment Business”

#### ● More members for IT environment assessments

- Continuing education for 97 members was completed (as planned) as an extension of the training program of the previous fiscal year, which produced 138 IT environment assessment professionals. This training was administered to bolster the staff’s competency in presenting proposals for the optimal, environmentally sound management of customer systems.

### ■ Marketing and promotion for IT Business Continuity Solution Services

#### ● IT Infrastructure Seminars for Corporations Wishing to Strengthen Business Continuity (June and onward)

- A new seminar introducing products/solutions utilizing virtualization/cloud technology and how these effectively serve business continuity planning through case studies was organized this year. The seminar toured around Japan with stops in six cities (Tokyo, Osaka, Nagoya, Fukuoka, Okayama, and Takamatsu) and was attended by a total of 156 people representing 124 companies.

## Improved CS

### ■ Advocating stepped-up actions to regain the No.1 ranking in customer satisfaction

#### ● Stronger local actions to improve CS

- Eight new senior CS advisors were appointed from April 2011 (total number to date: 39) to organize and roll out localized activities aimed at higher CS as part of an effort to better bridge the group-wide CS projects with local CS initiatives.

### ■ Third-party evaluations

- 1<sup>st</sup> place: Second Municipal Government Satisfaction Survey on IT Systems by *Nikkei BP Government Technology* (Fall 2011 issue) [System Operation-related Service category] (September)
- 3<sup>rd</sup> place: 16<sup>th</sup> Customer Satisfaction Survey by *Nikkei Computer* (Aug. 18, 2011 issue) (System Operation-related Service [Information Service Companies] category) (August)
- 3<sup>rd</sup> place: Survey by J.D. Power Asia Pacific\*<sup>1</sup> (October)

\*1 2011 Japan Customer Satisfaction Survey on IT Equipment Maintenance Service<sup>SM</sup> (Server category)

# Business Highlights

## CSR initiatives

### ■ Ongoing community and cultural support

#### ● Title sponsorship for the World Heritage Theatre

- After five consecutive years as a sponsor, the Company presents the World Heritage Theatre series, which aims at the preservation and utilization of World Heritage sites, as the title sponsor this year for more active cultural heritage presentation, with the staging of:
- Chapter XVI (Koyasan Kongobuji) (August) and Chapter XVII (Tomioka Silk Mill) (September).

#### ● Pact with Akiruno City and Meisei University concerning natural environment preservation activities (July)

- Originally initiated as an undertaking to bring the “Hometown Endowed with Forests Plan” into reality, the coalition—Japan’s first business-government-academia\* collaboration effort serving environmental causes—is carrying out activities in close cooperation with NPOs and local communities for the better conservation and utilization of forests and for community revitalization.

\*Business: NEC Fielding; government: Akiruno City Government; academia: Meisei University

#### ● Support for post-quake recovery and energy-conservation measures

- From June 1, corporate and other group customers affected by the earthquake have access to the hosting service and call center service (incoming call re-routing services) at no cost to them.
- A taskforce was set up to achieve a 15% reduction in power conservation and to ensure the stable operations of customer systems during the peak summer months. Structures were organized to meet the special needs of companies operating on irregular, rotating holiday schedules and to cope with rolling blackouts. The group itself successfully cut its power consumption by 18% on average from April to September by initiating energy-saving actions.

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## 2. Forecasts for the Fiscal Year Ending March 31, 2012

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# Major Management Indicators <Consolidated Business Results>

Forecast for overall net sales remains unchanged, but segment-by-segment sales projections have been revised based on the results of the first half of the fiscal year.

\*Any fraction of a hundred million yen has been rounded off to the nearest hundred million yen.

Units: Billion yen

	Forecast for the second half		Full-year forecast			
		Y/Y change		Y/Y change	± from the initial forecast	
<b>Net Sales</b>	<b>107.5</b>	<b>+9.4</b>	<b>196.0</b>	<b>+6.9</b>	<b>No change</b>	
<b>Proactive Maintenance</b> (Maintenance Services)	<b>48.8</b>	<b>+0.8</b>	<b>95.7</b>	<b>+0.1</b>		
<b>Fielding Solutions</b>	<b>58.7</b>	<b>+8.6</b>	<b>100.3</b>	<b>+6.8</b>		
<b>System Deployment Services</b>	<b>22.1</b>	<b>+5.5</b>	<b>35.0</b>	<b>+4.4</b>		
<b>Supply Services</b>	<b>25.9</b>	<b>+2.0</b>	<b>45.1</b>	<b>+1.6</b>		<b>+1.8</b>
<b>Management Support Service</b>	<b>10.7</b>	<b>+1.1</b>	<b>20.2</b>	<b>+0.8</b>		<b>-1.8</b>
<b>Operating Income</b>	<b>6.4</b>	<b>+1.8</b>	<b>10.0</b>	<b>+2.0</b>	<b>No change</b>	
<b>Ordinary Income</b>	<b>6.2</b>	<b>+1.3</b>	<b>10.0</b>	<b>+1.5</b>		
<b>Net Income</b>	<b>3.2</b>	<b>+0.5</b>	<b>5.4</b>	<b>+0.7</b>		

# Business Principles and Key Business Focuses for the Second Half of the Fiscal Year

- Emphasis on actions designed to boost sales; taking aggressive and accelerated action to implement the measures stipulated in the Medium-term Business Plan
- Enhancement of the business foundation to be ready for the final year of the Medium-term Business Plan

Expansion of business scope	<p>■ More effective common strategies and the expansion of the scope for businesses producing income streams (management and maintenance) and the focused areas</p> <p>1) More effective common strategies to enable business expansion → Common strategies</p> <p>2) Expansion of LCM business by maximizing the core strength in on-site capabilities → Strategy to expand post-sales system support</p> <p>3) Accelerated efforts to strengthen business ties with agents on the focus list } Strategy to strengthen the business foundation</p> <p>4) Stronger momentums to drive maintenance contract wins</p> <p>5) Expansion of focused areas by meeting customer needs → Strategy to expand the FS business of an intermittent nature</p> <p>6) Accelerated action to expand global business → Global strategy</p>
Cost structure re-invention	<p>■ Accelerated efforts to enhance corporate health, ready for more profit creation</p> <p>1) Promotion of full-fledged action for business process reform</p> <p>2) Promotion of optimal balance between internal and external resources } Business process reform strategy</p> <p>3) Promotion of the new call center structure</p> <p>4) Promotion of projects for the scheduled launch of the new SAP system → IT reform strategy</p>
Reform of the business foundation	<p>■ Stronger business foundation that supports all endeavors</p> <p>1) Further reinforcement of CS and CSR, the two pillars upheld in business philosophy → CS and CSR strategies</p> <p>2) Stepped-up efforts to empower personnel who are ultimately responsible for the delivery of support services → Human “assets” strategy</p>

## For more effective common strategies and the expansion of the scope for businesses producing income streams (management and maintenance) and the focused areas

### 1. More effective common strategies to enable business expansion

#### ■ Selection and exact targeting of prospects based on market potential analyses

- Customer segmentation by region and effective/speedy business wins
- Business wins by luring competitors' customers with optimized support service

#### ■ Further reinforcement of service and product planning capabilities

- Stronger service/product planning capabilities to be developed through the formation of an inter-departmental taskforce
- Process reform to be so shaped as to enable the accelerated release of services and products that exactly meet market needs, along with the marketing of such services/products to target market segments

#### ■ Strategic investment will continue with emphasis on effectiveness to ensure future growth

- LCM business, cloud/virtualization and the environmental businesses, along with global business

Annual investment size:  
¥2.8 billion (planned)

### 2. Expansion of LCM business by maximizing the core strength in on-site capabilities

#### ■ Horizontal launch of industry-by-industry business models

Y/Y increase of 10%

- Accelerated business wins by building a stronger front-line (on-site) structure based on industry-specific approach
- System management oversight and service desk operations primarily for medical and public-sector business models

#### ■ Expansion of data center service availability

- A locally oriented data center will be completed in Hokkaido to improve the cloud-service delivery environment in the region

#### ■ More platform SEs to boost project-response capabilities

- 450 SEs by March 2012
- Resource allocation beyond the traditional focus (up to 1H) on the private sector to absorb the public-sector needs (local and national governments, financial institutions)

## For more effective common strategies and the expansion of the scope for businesses producing income streams (management and maintenance) and the focused areas

### 3. Accelerated efforts to strengthen business ties with agents on the focus list

Y/Y increase of 10%

#### ■ SMB market exploitation through stronger collaboration with key local agents

- Service consistent with local characteristics to be provided on the LCM approach
- Identification of agents' needs and the horizontal launch of successful collaboration models

#### ■ Provision of integrated service to both locally oriented agents and retail agents

- Distribution of optimized service mapping based on the LCM approach that meets the characteristics of agent categories (i.e. Slers, manufacturer-vendors, independent maintenance proprietors, specific-purpose hardware vendors, and equipment-sales-driven categories).

### 4. Stronger momentums to drive maintenance contract wins

Target: Over ¥10 billion in terms of the value of equipment under contract

#### ■ Mobilization of contract support staff across the nation to achieve more contract wins

- 40 support staff members are spread across the nation in order to gain more deals in close coordination with the maintenance contract center.

#### ■ Stepped-up efforts to release support pack menus to expand the scope of self-initiated business

- Nine new packs where services meeting most of the pronounced needs of customers are put together were produced and released with the cooperation of vendors.

## For more effective common strategies and the expansion of the scope for businesses producing income streams (management and maintenance) and the focused areas

### 5. Expansion of focused areas by meeting customers' needs

Y/Y increase of 30%

#### ■ Expansion of the cloud/virtualization and environmental business

- New service releases through putting together LCM-enabled services into packs and packages
  - Stronger marketing effort by enhancing the virtualization solution pack lineup.
  - Building a foundation for cloud services by the introduction and expanded marketing of the Office 365 Solution Pack.
- Stronger emphasis on the training of human “assets” which are the backbone of all endeavors
  - Virtualization (design, development) specialists: 350 specialists by March 2012
  - IT assessment specialists: 150 specialists by March 2012

### 6. Accelerated action to expand global business

Y/Y increase of 70%

#### ■ Exploration of the Chinese market with NEFITS (a subsidiary) as the key player

- Stronger efforts to explore deals in Japan targeting JOCs (Japanese firms with overseas operations)
- Accelerated business development in China in cooperation with Japanese vendors
- Promotion of business development in Europe and the US targeting JOCs
- More globally oriented personnel
  - 45 people engaged in global business by March 2012

# Accelerated effort to enhance corporate health ready for more profit creation

## 1. Promotion of full-fledged action for business process reform

### ■ Group-wide launch of production reform activities

- Introducing production innovation activities beyond logistics and repair-related departments—the traditional turfs for production reform activities—to administrative divisions including departments assisting on-site personnel

Target profit margins  
of 5+%

## 2. Promotion of optimal balance between internal and external

### ■ Introduction and penetration of the new partner evaluation system

- The systematic evaluation procedure involving the comprehensive business evaluation\* of partner firms for the selection of outstanding partners is taking root.

\*Evaluation criteria: Pricing, quality, business execution ability, and compliance, etc.

### ■ Efficient utilization of external resources for business expansion

- Engaging partners with business characteristics and regional strengths to complement the efforts of NEC Fielding's staff to drive business expansion in the growth areas

Contractors for maintenance-related work  
115 firms at the end of September  
105 firms at the end of March

## 3. Promotion of the new call-center structure

### ■ Optimized placement of call-center locations for the maintenance area in order to achieve higher CS and greater operational efficiency

- Consolidation of the trouble-report receiving function and servicing functions, which were originally handled individually by business locations into nine Area Contact Centers (ACCs) across the nation for more expedited assistance.

### ■ Greater efficiency and streamlining through the standardization of call center tasks for the system management area

- Customer-specific call centers meeting individual requirements to be consolidated, bringing the number down to about 40% of the current number.

## 4. Promotion of projects for the launch of the new SAP system scheduled for April 2012

### ■ Revamping of the IT system that works in tandem with business processes

- For stronger IT governance and TCO reduction

### ■ Higher reliability and speed in financial accounting upon the launch of the SAP

# Stronger business foundation that supports all endeavors

## 1. Further reinforcement of managerial pillars (CS and CSR)

### ■ Promotion of group-wide projects and more effective coordination with locally initiated actions to improve CS

- Establishing a management structure that comprehensively addresses the maintenance and solution areas
- Elevating values through the visualization of services delivered to each customer
- Stronger on-site capabilities by adding and empowering senior CS advisors

### ■ CSR actions through business undertakings

- Further enforcement of compliance-related matters by deploying CSR advisors
- Active implementation of community service action programs anchored on deep commitment to the local community led by the Community Service Club
- Ongoing cultural support including sponsorship for the World Heritage Theatre
- Ongoing assistance to aid post-quake reconstruction efforts
- Enhanced actions for information disclosure

## 2. Stepped-up efforts to empower personnel who are ultimately responsible for the delivery of support services

### ■ Human “assets” training directly linked to business growth

- Platform SEs, virtualization (designing and development) specialists, IT environmental assessment specialists, global specialists, etc.

## Caution regarding forward-looking statements

Statements in this document with respect to NEC Fielding's strategies, plans, beliefs, and other statements related to future trends and performance are not historical facts, and as such involve risks and uncertainties.

Projections may differ materially from actual results due to a number of factors.

Key factors that could affect actual results include, but are not limited to, general economic conditions and social trends in NEC Fielding's markets as well as fluctuations in NEC Fielding's relative competitiveness due to changes in demand for the services provided by NEC Fielding.

Empowered by Innovation

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NEC Fielding, Ltd.